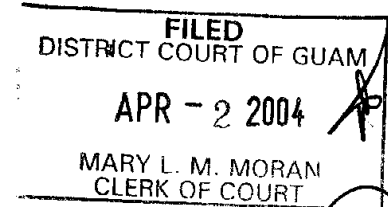


**JOAQUIN C. ARRIOLA**  
**ANITA P. ARRIOLA**  
**ARRIOLA, COWAN & ARRIOLA**  
259 Martyr Street, Suite 201  
Hagåtña, Guam 96910  
Tel: (671) 477-9730  
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Attorneys for Plaintiffs Alan Sadhwani, et al.

**IN THE UNITED STATES  
DISTRICT COURT OF GUAM**

**ALAN SADHWANI, LAJU  
SADHWANI, and K. SADHWANI'S  
INC., a Guam corporation,**

**Plaintiffs,**

**vs.**

**HONGKONG AND SHANGHAI  
BANKING CORPORATION, LTD., a  
Foreign corporation,  
JOHN DOE I through JOHN DOE X,**

**Defendants.**

CIVIL CASE NO. 03-00036

**DECLARATION OF ALAN  
SADHWANI IN SUPPORT OF  
PLAINTIFFS' OPPOSITION TO  
DEFENDANT HONG KONG AND  
SHANGHAI BANKING  
CORPORATION LTD.'S  
MOTION TO STAY ALL  
DEPOSITIONS PENDING  
DETERMINATION OF ITS  
MOTION TO DISMISS**

ALAN SADHWANI declares:

1. I am one of the individual plaintiffs and I am President of K. Sadhwanis, Inc., the corporate plaintiff in this case. I make this declaration in support of Plaintiffs' Opposition to Defendant Hongkong and Shanghai Banking Corporation, Ltd.'s ("HSBC") Motion to Stay all Depositions Pending Determination of its Motion to Dismiss. I have personal knowledge of the facts contained herein.

2. Our Loan with HSBC were purportedly sold to Paradise Marine Corporation ("PMC"). Under the terms of the Loan, we are required to make monthly payments of \$75,000. We

ORIGINAL

are having an extremely difficult time making ends meet. The \$75,000 monthly payments to PMC are extremely onerous. Our retail business has been very slow since the Guam economy took a sluggish turn and we barely make a profit. Our other business consists of rental properties, and the rentals we receive comprise a large portion of the monthly \$75,000 payments. However, our rental business is not earning the money necessary to make the payments, since we have lost a number of commercial tenants, including HSBC; tenants are slow in payment; and prospective renters are looking for the best deals in the market.

3. PMC's attorney Duncan McCully has sent letters declaring that payment in full of the principal and interest of the loan is due in full and he has also threatened to foreclose on our mortgages if we are not able to make the monthly loan payments. True and correct copies of these letters are attached hereto as Exhibits 1 and 2.

4. The properties subject to the mortgages are worth more than the amount of the Loan. Some of these parcels are Tick Tock Shop in Tamuning, the Hong Kong and Shanghai Bank building in Marine Drive Tamuning, the Sateena Mall in Dededo, the Deloitte and Touche building in Tamuning, and others. In the event that we fail to make the monthly payments under the loan to PMC, which is a very real possibility given our financial distress, we will likely lose all of these valuable properties.

5. Accordingly, any delay in resolution of our claims and our complaint will have disastrous consequences for us. We will be heavily burdened by the continuation of these \$75,000 monthly payments to PMC.

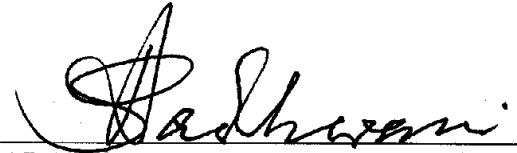
6. HSBC has claimed that our monthly payments under the loan with PMC are no greater than when HSBC owned the loan. This is incorrect. We would not be required to make the \$75,000 monthly payments had HSBC not breached the workout agreement and had they allowed

us to buy the Loan instead of selling the Loan to PMC. In addition, while HSBC owned the Loan, HSBC was making rental payments to plaintiffs for lease of the HSBC building in Tamuning, which were paid to HSBC as payments under our Loan.

7. Because of the great hardship and prejudice we will suffer, I respectfully request that the Court deny HSBC's motion to stay all depositions pending determination of its Motion to Dismiss.

I declare under penalty of the laws of Guam and the United States that the foregoing is true and correct to the best of my ability.

Dated this 2nd day of April, 2004.

  
ALAN SADHWANI

ARRIOLA, COWAN & ARRIOLA, HAGATNA, GUAM 96910

**CERTIFICATE OF SERVICE**

I, ANITA P. ARRIOLA, hereby certify that on April 2, 2004, I caused to be served via hand delivery, a **DECLARATION OF ALAN SADHWANI IN SUPPORT OF PLAINTIFFS' OPPOSITION TO DEFENDANT HONG KONG AND SHANGHAI BANKING CORPORATION LTD.'S MOTION TO STAY ALL DEPOSITIONS PENDING DETERMINATION OF ITS MOTION TO DISMISS** to:

Jacques A. Bronze, Esq.  
Bronze & Tang, P.C.  
2nd Floor, BankPacific Building  
825 S. Marine Drive  
Tamuning, Guam 96913

Dated this 2nd day of April, 2004.

  
ANITA P. ARRIOLA

ARRIOLA, COWAN & ARRIOLA, HAGATNA, GUAM 96910

**McCULLY & BEGGS, P.C.**  
ATTORNEYS AT LAW

DUNCAN G. McCULLY  
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mblaw@kuentos.guam.net

February 3, 2004

**VIA FACSIMILE: (671) 477-9734**

**ANITA ARRIOLA, ESQ.**

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**VIA FACSIMILE: (671) 477-9087**

**LADD A. BAUMANN**

L.A. Baumann & Associates  
Suite 903, Pacific New Bldg.  
238 Archbishop Flores Street  
Hagatna, Guam 96910

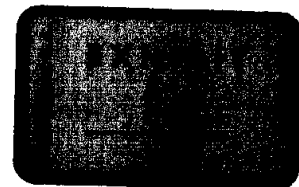
**Re: Sadhwani et. al. vs. Hong Kong & Shanghai Banking Corporation**  
**Ltd.; District Court of Guam; CV03-00036**  
**Paradise Marine Corporation**  
**MB File No. 3776**

Dear Anita & Ladd:

Yesterday this office received a \$75,000 cashier's check made payable to Paradise Marine Corporation. We assume that this is a partial payment of the outstanding loan balance.

Although Paradise Marine has accelerated the balance due and demanded payment in full, it will accept the partial payment. Paradise Marine does not waive Sadhwani's several existing defaults. It continues to be in default on its obligations to Paradise Marine because it failed to pay the balance of the loan when it matured, for its failure to pay the real property taxes on the mortgaged property, for its failure to properly maintain the mortgaged property and for its failure to provide Paradise Marine with a current audit. Paradise Marine has not agreed that Sadhwani may continue to service its debt in monthly payments of \$75,000.

Payment in full is once again demanded. Paradise Marine reserves its right to take all appropriate action to collect the balance of the loan.



ANITA ARRIOLA, Esq.

Ladd A. Baumann, Esq.

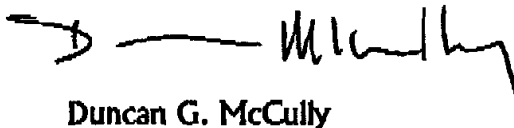
February 3, 2004

Page 2 of 2

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If you wish to discuss this, then please call me. Kindest regards.

Sincerely,



Duncan G. McCully

cc: Paradise Marine Corp.  
DMC/nsa:AA.LAB.020304.3776

**McCULLY & BEGGS, P.C.**  
ATTORNEYS AT LAWDUNCAN G. McCULLY  
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mbiaw@kuentos.guam.net

March 9, 2004

**VIA FACSIMILE: (671) 477-9734****ANITA ARRIOLA, ESQ.**Arriola, Cowan & Arriola  
Suite 201, C&A Professional Bldg.  
259 Martyr Street  
Hagatna, Guam 96910**Re: Sadhwani et. al. vs. Hong Kong & Shanghai Banking Corporation  
Ltd.; District Court of Guam; CV03-00036  
Paradise Marine Corporation  
MB File No. 3776**

Dear Anita:

On March 1, 2004, Paradise Marine Corporation, through this office, received a \$75,000 payment from K. Sadhwani, Inc. ("Sadhwani"). Paradise Marine Corporation has elected to retain this partial payment and to apply it to the remaining balance of Sadhwani's loan.

As Paradise Marine has previously stated, the acceptance of the partial payment does not waive Sadhwani's several existing defaults on its promissory note and other loan documents. The most significant default is that Sadhwani has not paid the remaining principal and interest in full as required by the loan agreement. The loan remains accelerated and due in full. Paradise Marine reserves all of its rights to foreclose on the collateral for the loan.

Paradise Marine has not agreed to continue to accept monthly payments on the loan balance. Despite its proposals, Sadhwani has declined to discuss a restructuring of the fully matured and accelerated loan balance to allow it to be paid over time. No agreement has been reached between Sadhwani and Paradise Marine concerning the repayment of the loan.

Anita Arriola, Esq.

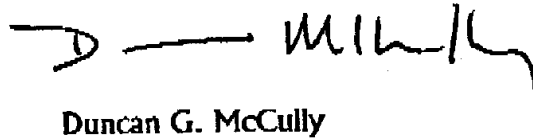
March 9, 2004

Page 2 of 2

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Please call me if you wish to discuss this. Kindest regards.

Sincerely,

A handwritten signature in black ink, appearing to read "Duncan G. McCully". The signature is stylized, with a large "D" and "M".

Duncan G. McCully

cc: Paradise Marine Corp.  
DMC/nsa:AA.030804.02.3776